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SUBJECT: GUIDE TO THE EAST AFRICAN COMMUNITY

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11. BACKGROUND AND SUMMARY: The East African Community (EAC) is the regional intergovernmental organization of Burundi, Kenya, Rwanda, Tanzania and Uganda. Headquartered in Arusha, Tanzania, the EAC's goals, reaffirmed in a November 2009 Summit, are to realize a common Customs Union (supposedly in effect since January 1, 2010), a Common Market (to go into affect July 1, 2010) and a Monetary Union (the current work plan for which suggests a three-year time frame to implement), leading to an eventual Political Federation. The Common Market is meant to provide free movement of goods, people and labor in the region but seems to have a long way to go to be realized. There also is a Tripartite Process to harmonize the EAC with the Southern Africa Development Community (SADC) and Common Market for Eastern and Southern Africa (COMESA). President Kikwete (Tanzania) is the current EAC Chairperson, a position which rotates annually. With 48 percent of its budget provided by donors, the EAC's paper structures often do not match ground realities. Nonetheless, the EAC is the primary regional coordinating mechanism, and its importance continues to grow. END BACKGROUND AND SUMMARY.

12. The East African Community (EAC) is the regional intergovernmental organization of Kenya, Uganda, Tanzania, Rwanda and Burundi. The EAC was originally founded in 1967, but collapsed in 1977. The East African Community was finally revived on 30 November 1999, when the Treaty for its re-establishment was signed and entered into force on 7 July 2000 following ratification by the original three partner states: Kenya, Uganda and Tanzania. Rwanda and Burundi acceded to the EAC Treaty on 18th June 2007 and became full members of the Community July 1, 2007.

The Community

13. Burundi, Kenya, Rwanda, Tanzania and Uganda have a combined

population of more than 125 million people, a land area of 1.82 million sq kilometers and a combined Gross Domestic Product of \$60 billion (2008).

#### Current Status of Community Customs and Trade

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¶4. The first major achievement of the EAC was establishment of a Customs Union for East Africa, signed in March 2004 and supposedly going into effect on 1 January 2005. Under the terms of the treaty, Kenya, the region's largest exporter, was supposed to continue to pay duties on its goods entering the other four countries, based on a declining scale, until 2010 (when all tariffs are abolished). A common system of tariffs is theoretically supposed to apply to goods imported from third-party countries (but often this is violated in the breach).

¶5. Officially under the EAC Customs Union, which became law January 1 of this year, goods manufactured in any one of the partner states can move anywhere around the EAC without suffering any import duties. However, in the words of an EAC Communique' touting the launch of the "full-fledged" Customs Union, "this may not be working perfectly right now." Meanwhile, for goods imported into the EAC, partners have yet to agree on modalities for collection and accounting for customs revenue. In theory, once those goods are taxed upon entry into the EAC, they could move freely around the Community. (COMMENT: According to EAC figures, the total volume of intra-EAC trade is merely 13%. This can be compared to Europe at 60% and Asia at 40%. END COMMENT)

¶6. While generally EAC citizens are largely in favor of the

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EAC, informal polls indicate that most Tanzanians (up to 80% of its population) have an unfavorable view. Tanzania has more land than the other EAC nations combined, and some Tanzanians fear land-grabs by wealthy residents of the other EAC member nations. Many Tanzanians also are wary of free movement of labor, fearing that in many professions more capitalist-savvy and better-educated Kenyans will come and snatch the plum jobs. During the November 2009 Summit, President Kagame of Rwanda talked about the "need" to mitigate revenue loss through "financial compensatory mechanisms," in order to make the union a meaningful success.

¶7. In 2008, the EAC, the Southern Africa Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA) agreed in principle to an expanded free trade area among member states of all three. They established a "Tripartite Process" to harmonize the overlapping benefits of the EAC with SADC and COMESA, with "coordination units" having been set up in all three regional organizations. Tanzania is a full member of SADC.

#### EAC Agenda for 2010

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¶8. For 2010, EAC SYG Mwapachu hopes to increase cooperation in defense, which will involve the upgrading of the existing memoranda of understanding on defense matters into a legally-binding protocol. This is expected to take place at a special forum in Kampala in February. (2009 saw joint military exercises in different parts of the EAC and a first-ever EAC Peace and Security Conference, held in Uganda.)

¶9. Other activities for 2010 include hosting a Conference for People With Disabilities (to be held in Kampala); the 3rd East African Investment Conference; a high-level Conference on Railway Development and a first-ever Summit on Food Security and Climate Change. The EAC also plans to table a bill in the regional parliament against counterfeit products and come up with a clear roadmap for a Monetary Union (plans drawn up in 2004 are for the EAC to introduce a common currency, the East African shilling, sometime between 2011 and 2015).

¶10. Also this year, the Civil Aviation Safety and Security Oversight Agency (CASSOA), an institution of the EAC, will move offices from Arusha to Entebbe in 2010. Meanwhile, cooperation with the EAC's co-members in the Tripartite Taskforce - COMESA and SADC - is set to intensify as the three blocs work towards actualizing a Free Trade Area. The EAC will also be seeking to revive the stalled Economic Partnership Agreement (EPA) negotiations with the European Union this year.

#### The EAC Common Market Protocol

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¶11. At a Summit held November 20, 2009 for the 10th Anniversary of the EAC, Heads of State signed a Protocol for the Establishment of the East African Community Common Market. It will go into effect July 2010, assuming all EAC member states ratify the protocol. However, none have done so yet.

¶12. The EAC Common Market Protocol provides for the following, to be progressively implemented:

- (i) free movement of goods;
- (ii) free movement of persons;
- (iii) free movement of workers;
- (iv) the right of establishment;
- (v) the right of residence;

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- (vi) free movement of services; and
- (vii) free movement of capital

¶13. Talks are also underway for a common visitor's visa for the region. In addition, the Protocol provides for cooperation in the following areas:

- (i) protection of cross border investments
- (ii) economic and financial sector policy coordination
- (iii) competition and consumer welfare
- (iv) commercial policy
- (v) coordination of transport policies
- (vi) harmonization of social policies
- (vii) environmental management
- (viii) statistics
- (ix) research and technological development
- (x) intellectual property rights
- (xi) industrial development; and
- (xii) agriculture and food security

#### ORGANS OF THE EAC

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¶14. The EAC is made up of the following elements:

-- THE SUMMIT comprises the heads of government of partner states and gives general direction on goals and objectives of the Community. There is a yearly rotating Presidency, currently held by Kikwete, who took the mantle from Rwanda President Kagame during the EAC Arusha Summit last November. At the last Summit, Zanzibari President Karume sat on the dais for all "Head of State" events, but he had no speaking role and did not sign any documents. The official languages of the Community are English and Swahili (not/not French), and during the November Summit addresses, all leaders spoke in Kiswahili.

-- THE COUNCIL OF MINISTERS is the main decision-making institution. It is made up of ministers from the partner states responsible for regional co-operation. For Tanzania, that person is Deputy Minister for East Africa Cooperation Mohamed Aboud.

-- THE COORDINATING COMMITTEE consists of permanent secretaries and reports to the Council of Ministers. It is responsible for regional cooperation and coordinates the activities of the Sectoral Committees.

-- SECTORAL COMMITTEES conceptualize programs and monitor their implementation. The Council of Ministers establishes the committees on recommendation of the Legislative Assembly. The EAC has established a Sectoral Committee on Co-operation in Defense, as well as an Inter-State Security Committee

-- THE SECRETARIAT is the full-time executive organ of the Community. As the guardian of the Treaty, it ensures that regulations and directives adopted by the Council are properly implemented. The Secretary General is Ambassador Juma V. Mwapachu from Tanzania.

-- EAST AFRICAN COURT OF JUSTICE is the judicial arm of the Community. It has a watchdog function and also plays a part in the legislative process. The court has jurisdiction over the interpretation and application of the 1999 Treaty that re-established the EAC and in the future may have other original, appellate, human rights or other jurisdiction upon conclusion of a protocol to realize such extended jurisdiction. It is temporarily based in Arusha, Tanzania.

-- EAST AFRICAN LEGISLATIVE ASSEMBLY (EALA)(septel) is the

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legislative arm of the Community. The EALA has oversight functions on all matters that fall within the Community's work and its functions include debating and approving the budget of the Community, making recommendations to the Council, and liaising with National Assemblies on matters pertaining to the Community. Since being inaugurated in 2001, the EALA has had several sittings as a plenum in all member states' capitals.

-- AUTONOMOUS INSTITUTIONS OF THE COMMUNITY are the East African Development Bank, Lake Victoria Fisheries Organization and the Inter-University Council for East Africa.

#### DONOR CRITICISMS

¶15. Donors provide 48 percent of the EAC's General Budget. The figure may be significantly higher if one counts the various specific EAC projects and conferences funded by others as well(for example, the USG, through USAID's Competitiveness and Trade Expansion Program (COMPETE) will provide up to \$84 million over four years to "increase trade and investment between the U.S. and Eastern and Central Africa (ECA);" much of that money goes to EAC-related activities). Moreover, much of the contribution of member states themselves comes from donor support. Some donors have complained that the EAC can be profligate in its conferences and travel and not always transparent in its funding.

¶16. British Aid Agency DFID, in a report to be released February 2 to Budget Support Partners offers the following criticism (and recommendations): "The combined absence of the staff (in some cases up to 80% of their time is spent away from the office), in addition to overlapping periods of absence within the SYG's office, creates performance challenges across the organization in terms of its ability to share information, make timely decisions to address daily routine matters. The existing Executive Team does not meet regularly to discuss policy and opera|MmOai\$3/QqgQOCtQK0jQB1 travel policies and diary management and provide guidelines as to who should attend meetings. In addition, the EAC has yet to adopt modern video conferencing facilities to enable regular regional meetings and avoid unnecessary travel for established projects."

#### COMMENT

¶17. Whereas the EAC's paper structures often do no match ground realities, the EAC is nonetheless the primary regional coordinating mechanism, and its importance continues to grow. For decades during the colonial era and a few years beyond,

the region had a common currency. Infrastructure issues crosscut the borders throughout the region, as do security and economic issues. The partners share a common language, Kiswahili (spoken to varying degrees among all five), the use of which continues to expand (along with English, increasingly spoken in Rwanda, being revived in Tanzania but little used in Burundi). The bureaucracies of the EAC and its members may still be shaky, but the motivation is real and the imperatives more so.

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